

**Commission Meeting Minutes**  
**July 10, 2014**

Acting Chairman McDonough called the meeting to order at 12:15 PM.

Acting Chair McDonough announced that the Commission meeting is being tape recorded which will be noted in the minutes, that a stenographer is taking notes, and asked that everyone state their names prior to speaking.

Commissioners Present: Acting Chairman Gerald McDonough, Commissioners Philip Brown, John Langan, James Machado, Donald Marquis, and Robert McCarthy.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, General Counsel/Deputy Director John Parsons, Deputy General Counsel/Managing Attorney Judith Corrigan, Senior Actuarial Associate John Boorack, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Director of Strategic Planning Michael DeVito, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Chief Auditor Harold Chadwick, Director of Administrative Services Caroline Carcia, Director of Information Systems Paul Laliberte, Auditors Susan Kerr and John Shea, and Senior Executive Assistant Kim Boisvert.

Acting Chairman McDonough welcomed the following guests: Anouk Danan from OER/HRD, Katie McCue from MMA, Greg Mennis from PEW Charitable Trusts, Nick Favorito from the State Retirement Board, Sean Neilon from the Massachusetts Teachers' Retirement Board, Tom Gibson from the Belmont and Middlesex County Retirement Boards, Patrick Brock from the Hampshire County Retirement Board, Kimberly Fletcher from the Newton Retirement Board, Bill Rehrey from the Mass. Retirees Association, Denis Devine from MACRS, and Carol Kusiwitz from Doris Wong Associates.

Acting Chair McDonough discussed the Commission minutes of June 12, 2014 regarding a change in the minutes requested by Commissioner McCarthy. He explained the change and amended minutes were distributed.

Commissioner Machado made a motion to adopt the minutes of the June 12, 2014 meeting as amended. Commissioner Langan seconded the motion and the amended minutes were unanimously adopted.

**Legal Update**

Mr. Parsons reported that a letter has been sent to the Chelsea Retirement Board as discussed at the June 12, 2014 Commission meeting. Attorney Boumil, on behalf of Mr. McLaughlin, and Attorney Monahan, on behalf of the Chelsea Retirement Board, have filed appeals against PERAC. Mr. Parsons said he would keep the Commission updated as more information becomes available.

Mr. Connarton reported that Attorney Boumil has requested that Mr. Connarton recuse himself regarding any further action as it pertains to Mr. McLaughlin.

Chair McDonough inquired if all Commissioners had received the letter from Mr. Boumil dated July 8, 2014. All Commissioners have received the letter.

Mr. Parsons further reported that PERAC has sent out a memorandum to all retirement boards regarding Concurrent Benefits as discussed at the last Commission meeting.

### **Other Business**

Greg Mennis of the Pew Charitable Trusts made a presentation on the Financial Model for Sensitivity Analysis to the Commission. This model provides a 5-year forecast and is used to “stress test” the state and local retirement systems. The model was developed by the Pew Charitable Trusts and is designed to assess and evaluate the impact of different economic conditions on the fiscal health of each of the 105 retirement systems. The model works by using data that is regularly maintained by PERAC along with economic assumptions developed by Buck Consultants and choosing one of the various asset return scenarios to produce the final results. Among the results of the model are the Funded Ratio and the Unfunded Liability in one year and in five year increments from the most recent valuation date. The goal of building this model is to offer to other states for testing their own retirement systems.

Commissioner McCarthy made a few suggestions to change some of the information as set out in the power point presentation. Changing the reference that PERAC contracted with Buck Consultants to perform this analysis, PERAC paid and provided feedback for the study but did not contract with Buck.

Mr. Mennis agreed with the suggested changes and will be reflected in the final presentation.

### **Legislative Update**

Mr. DeVito discussed H. 4242 the Fiscal Year 2015 Budget and certain points of interest. He then updated the Commission about H. 3560, the PERAC Expansion bill which remains in the Senate; H. 59, the OPEB bill which has been extended in the Public Service Committee until July 31, 2014; H. 3377, the Plymouth County Pension Obligation Bond bill which remains in Senate Ways and Means; S. 1225, PRIM Fossil Fuel Divestment bill which has been extended in the Public Service Committee until July 31, 2014; and finally H. 42, the Governor’s Unemployment Insurance Reform bill which is now in House Ways and Means.

### **Audit Update**

Mr. Chadwick reported that audits are currently occurring at the Chicopee, Methuen, Pittsfield, Plymouth, and Woburn Retirement Boards. He then stated that the exit conferences are pending for the Beverly, Minuteman Regional, New Bedford, North Attleboro, Peabody, and State Retirement Boards. Internal reviews are being conducted on the Athol, Fall River, Franklin County, Teachers’, and Webster Retirement Boards. Mr. Chadwick told the Commission that the Everett and Salem Retirement Board audit reports have been posted on the PERAC Web Page since the last Commission meeting and explained their respective findings. Finally, he reported that a follow up audit was completed at the Gardner Retirement Board.

Commissioner Machado inquired if it would be easier to start collecting the additional 2% after an individual hits the \$30,000 mark, as opposed to each pay period, as this item seems to be a common finding.

Ms. Corrigan reported that this would require a legislative change as the statute states that 2% on all amounts above \$30,000 must be taken, based upon the rate of pay.

### **Compliance Update**

Mr. O'Donnell stated that the educational credits are slightly higher this year compared to last year. He thanked the many PERAC staff members who have made presentations as well as Denis Devine and Kevin Regan representing MACRS. He then stated that some individuals are under the impression that they would be able to receive a waiver from this responsibility which will be discussed at the September Commission meeting. He noted that there are ten (10) open board positions. Mr. O'Donnell continued that over 1215 vendor disclosures have been filed; however, some are not complying and he will have a report on that also for the September meeting. He finally noted that there are some SFI issues which will be discussed in executive session today.

There was further discussion about who approves the credits, the national firms that have programs available such as the Harvard program, NCPERS, and the International Foundation of Employee Benefits.

Mr. Connarton stated that it is important to note that we have tried to be as flexible as possible awarding credits in a sundry of educational forums across the Country, however, such forums must provide relevant educational topics as set forth in the statute.

### **Actuarial Update**

Mr. Connarton stated that Mr. Lamenzo is on vacation, therefore, Senior Actuarial Associate John Boorack will be giving the update today on the Teachers' Retirement System 2006-2011 Experience Study.

Mr. Boorack presented the 2014 Teachers' Retirement System Draft Experience Study covering 2006 through 2011. He stated that the report is mostly complete pending final review. However, he believes that no significant changes will be made. He reviewed the Executive Summary and explained that the purpose of an experience study is to track annual salary increases and how members leave a system through retirement, death, disability, or termination. (An average of approximately \$7.2 million/year.) He stated that over the 6 year period, the assumptions generated a cumulative gain of \$43 million on a total actuarial accrued liability of approximately \$36.5 billion as of January 1, 2012 meaning the assumptions being used were reasonable and only minor tweaks would be made to the assumptions.

### **Executive Director's Report**

Mr. Connarton reported on staff activities since the last Commission meeting. He then reported that Paul Laliberte the Director of Information Systems will be retiring in August. He stated that Mr. Laliberte came to PERAC in 1997, left about a year later then came back in 1999. It was because of

Mr. Laliberte that PERAC has the computer systems in place. He wished Mr. Laliberte the best and good wishes.

Mr. DeVito thanked Mr. Laliberte and had many great comments. He wished him and his family much happiness in the future.

Mr. Laliberte stated that 16 years have gone by quickly. He then thanked the Commission for its support. He stated that he will miss the camaraderie that he has experienced here at PERAC.

Mr. Connarton reported that he just received draft legislation dissolving the Athol Retirement Board. PERAC has not reviewed the draft legislation. Mr. Chadwick, Mr. Madison (former PERAC auditor who is working at the Athol Retirement Board), and Mr. Blanchette will be meeting next week to discuss the draft legislation. He stated that we will keep an eye on this legislation and update the Commission as necessary.

Mr. Connarton reported on Policy Number 97-006 the "Election of the Seventh Member". He explained the Policy and past practice with the possibility of interviewing candidates at the meeting scheduled in September or soon thereafter.

Commissioner McCarthy made a motion to make the Policy Number 97-006 memorandum dated July 1, 2014 part of the minutes, put on the web site and have individuals contact a Commissioner if they are interested in the position. He would like to keep this process as transparent as possible.

Mr. Connarton stated that this could be done.

Commissioner Machado suggested voting on this matter in October and accepting applications until September 20.

Commissioner Machado made a motion to accept applications until September 20, 2014 and have interviews at the October 9, 2014 Commission meeting. Commissioner McCarthy seconded the motion.

Mr. Connarton stated that the Commissioners have to nominate an individual or individuals. He will collect the resumes, distribute to all Commissioners, and then schedule the particular individuals for an interview in open session.

Further discussion ensued that applications should be received by Friday, September 19 at 4:00 PM and nominations will be provided by the Commissioners by September 26, 2014 at 4:00 PM.

Commissioner Machado made an amendment to his motion that applications be accepted until Friday, September 19, 2014 by 4:00 PM, nominations to be made by Friday, September 26, 2014 at 4:00 PM and have interviews in open session at the Commission meeting on Thursday, October 9, 2014. The Commission voted to adopt the amended motion.

Acting Chair McDonough requested a copy of the presentation that Ms. Corrigan made in South Yarmouth entitled "Setting the Record Straight: Some Popular Misconceptions about Public Pensions". Ms. Corrigan stated that she would provide a copy of the presentation.

Commissioner McCarthy inquired if PERAC has filed an appeal on the Robert Vernava v. Swampscott Retirement Board and PERAC, CR-12-640. Mr. Charles reported that PERAC had just filed its appeal with DALA on July 9, 2014.

### **Executive Session**

At 2:15 PM the Acting Chair McDonough called for a roll call vote of the Commission to go into executive session to discuss SFI Compliance under Chapter 176 of the Acts of 2011. The Commission will reconvene in open session to ratify any votes taken in Executive Session and will continue for the remainder of the Commission meeting. The roll call vote was recorded as follows:

Acting Chair Gerald McDonough YES, Commissioners Philip Brown YES, John Langan YES, James Machado YES, Donald Marquis YES, and Robert McCarthy YES.

A roll call vote was taken in executive session to return to the regular order of business and to adjourn the executive session at 2:55 PM.

### **Open Session Reconvened**

Acting Chair McDonough ratified the vote taken in Executive Session to remove several former retirement board members from serving as members on a retirement board governed by Massachusetts General Laws Chapter 32 for their failure to file their 2013 Statement of Financial Interests pursuant to Massachusetts General Laws Chapter 32, Section 20C and it was a unanimous roll call vote.

### **Other Business**

Acting Chair McDonough stated the next Commission meeting is scheduled for Thursday, September 11, 2014 at noon.

Commissioner Machado made a motion to adjourn. Commissioner Brown seconded the motion, and the motion was adopted. The meeting adjourned at 3:00 PM.

### **Commission Meeting Documents**

Commission Agenda of the meeting for July 10, 2014  
Commission Minutes for June 12, 2014

### **Legal Update**

PERAC letter to the Chelsea Retirement Board regarding the Michael McLaughlin matter – (dated June 5, 2014)  
PERAC Memo # 21/2014 regarding Concurrent Benefits under Section 9 and Option 12(2)(c)

**Legislative Update**

Monthly Legislative Agenda and bullet points outlining legislation

**Other Business**

Letter to Greg Mennis, Director of the PEW Charitable Trusts inviting him to make a presentation to the Commission regarding the "Stress Test of the Retirement Systems"

**Audit Update**

Recent PERAC Audit Findings cover sheet and the respective audit findings

**Actuarial Update**

Final Draft of the Massachusetts Teachers' Retirement System 2006-2011 Experience Study

**Executive Director's Report**

Updated Staff Activities Memo

Save the date reminder for the 10<sup>th</sup> Emerging Issues Forum

Memorandum to the Commission regarding Policy Number 97-006 – Election of the Seventh Member

**Other Documents**

Letter from the Town of Concord to State Senator Michael Barrett and Representative Cory Atkins regarding the Fossil Fuel Divestment Resolution

**Distributed at the Meeting**

Amended Commission Minutes for June 12, 2014

Power Point presentation entitled "Financial Model for Sensitivity Analysis" by Greg Mennis, Director of the PEW Charitable Trusts

Approved:



Gerald McDonough, Acting Chairman  
Public Employee Retirement  
Administration Commission